

CORRECTED FISCAL NOTE

HJR 93

April 6, 2005

SUMMARY OF BILL: States the General Assembly's desire that workers paid through government contracts or grants be paid a minimum wage of 110% of the federal poverty level for a family of four and provided affordable health care.

ESTIMATED FISCAL IMPACT:

On February 17, 2005, we issued a fiscal note which indicated *an increase in state expenditures exceeding \$900,000*. Based on additional information provided to us, the estimated fiscal impact of this bill is:

(CORRECTED)

Increase State Expenditures – Not Significant

Increase Local Govt. Expenditures – Not Significant

Other Fiscal Impact – To the extent legislation is introduced mandating that contract workers are paid and provided insurance as specified in this resolution, the impact would be estimated as a net increase to state expenditures exceeding \$900,000 per year.

Assumptions:

- Since this resolution states the General Assembly's desire but does not mandate that contract workers are paid a minimum wage that is 110% of the poverty level and are provided health insurance, the cost of this resolution is estimated to be not significant.
- 2004 federal poverty guideline for a family of four is \$18,850 per year.
- 110% of the 2004 poverty guideline equals \$20,735 per year.
- Incremental income is \$1,885 per worker per year.
- 500 contracted workers affected.
- 50% of contracted workers (250) have TennCare.
- FY2004 TennCare cost per enrollee is \$5,850.
- Decrease in state expenditures from reduction in TennCare enrollment estimated at \$1,461,500 million (\$5,850 X 250 enrollees = \$1,461,500).
- Estimated annual cost for employer-provided health care is \$3,000.

- Estimated increase in expenditures to businesses providing contracted or subcontracted goods or services to the state is approximately \$2,442,500 (500 workers X \$1,885 incremental income = \$942,500) + (500 workers X \$3,000 health care costs = \$1,500,000).
- It is estimated that the additional costs incurred by contractors of the state will be passed on to the state in future contracts; thus increasing state expenditures by approximately the same amount (\$2,442,500).
- This increase in state expenditures would be offset by increasing sales tax revenue generated from consumption expenditures of the recipients, which is estimated at \$66,000 (\$942,500 X 7% = \$65,975) and by the reduction in TennCare expenditures (\$1,461,500).
- To the extent legislation is introduced mandating that contract workers are paid and provided insurance as specified in this resolution, the impact would be estimated as a net increase to state expenditures exceeding \$900,000 (\$2,442,500 - \$1,461,500 - \$66,000 = \$915,000).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly distinguishable.

James W. White, Executive Director